

*Secret*  
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SOVIET ECONOMY

- (1) Soviet economic development dominated by obsession promote heavy industry and hence strong military posture.
- (2) Before discussing economic, industrial and scientific position Soviet, desire describe our view military posture.
- (3) USSR profoundly believes in eventual triumph international communism, preferably without global war but believes in preparedness for war if other means fail.
- (4) <sup>KREMLIN</sup> USSR fears global war, for while they believe it would destroy capitalism and bring communist world, might also bring their destruction and new Kremlin leaders.

(5) Therefore, estimate USSR will avoid war for immediate future for this and these other reasons:

(a) Lack of long-range bomber force or long-range guided missiles -- hence unsure of destroying USA industrial base and retaliatory power.

(b) Behind in nuclear race and stockpile -- though could inflict serious damage.

(c) <sup>Industrial</sup> ~~Generally~~ military inferior except in ground forces, guided missiles, subs, etc.

(d) Presently feel encircled by US overseas bases and have need ~~absolutely~~ neutralize these before attacking.

(4) <sup>Not doing badly with Cold War</sup>  
(6) Hence over next decade USSR will devote every ounce of strength to industrial development and to build the base for continuing military strength -- will give lip service to increase of consumer goods as popular pressure demands, viz., Malenkov regime.

~~(7) New Six-Year Plan shows that priority~~

of heavy industry remains unchanged. USSR will continue to devote about 35% of g.n.p. to military ends and capital investment - atomic weapons, ~~guided missiles, aviation, electronics, etc.~~

(8) During quarter century since Stalin seized power in 1928, USSR has risen from undeveloped state to second largest economy in the world. This growth particularly remarkable due to destructive effects of World War II. (See Chart of industrial growth compared to USA.) ~~fl~~ This has involved transfer of millions of workers from agriculture to urban occupations and prodigious efforts to educate in modern skills and technology. While capital goods raised ten-fold, agricultural production has failed to match growth in population.

(9) Total USSR output now 1/3 of USA --

1.75 that of U.K. USSR production of capital goods far larger total proportion of total national product than for USA. (See Capital Goods Production Chart.)

(10) Sixth 5-year plan 1956-1960 follows traditional <sup>35% of G.N.P. E military + capital</sup> line of heavy industrial output, bringing USSR in 1960 to nearly 2/5 of USA as against 1/5 in 1950.

Electronic output for guided missiles tripled or quadrupled. Special heat-resistant alloys where SOVs stress fundamental research will see 6-fold increase.

#### AGRICULTURE